

# GENERAL ASSEMBLY OF NORTH CAROLINA

## Session 2013

### Legislative Fiscal Note

**BILL NUMBER:** House Bill 558 (Second Edition)

**SHORT TITLE:** Soil and Water District Refunds

**SPONSOR(S):** Representatives Whitmire, Ramsey, Dixon, and Waddell

<b>FISCAL IMPACT</b>					
(\$ in millions)					
<input checked="" type="checkbox"/> Yes <input type="checkbox"/> No <input type="checkbox"/> No Estimate Available					
<b>State Impact</b>	<b>FY 2014-15</b>	<b>FY 2015-16</b>	<b>FY 2016-17</b>	<b>FY 2017-18</b>	<b>FY 2018-19</b>
Soil and Water Districts	0.0	(0.0)	(0.0)	(0.0)	(0.0)
Regional Jails	Fiscal Impact Unknown				
<b>NET STATE IMPACT</b>	<b>\$0.0</b>	<b>(\$0.0)</b>	<b>(\$0.0)</b>	<b>(\$0.0)</b>	<b>(\$0.0)</b>

**PRINCIPAL DEPARTMENT(S) & PROGRAM(S) AFFECTED:**  
 North Carolina Department of Revenue

**EFFECTIVE DATE:** July 1, 2015

**TECHNICAL CONSIDERATIONS:**  
 None

**BILL SUMMARY:** HB 558 adds soil and water conservation districts organized under G.S. 139 to the list of entities eligible for sales tax refunds under G.S. 105-164.14(c)(25). HB 558 also creates a sales tax refund under G.S. 105-164.14(c)(26) for regional jails. This bill becomes effective July 1, 2015.

The NC Department of Agriculture and Consumer Services (NCDA&CS) and the NC Department Environment and Natural Resources (DENR) collect very little if any financial information on soil and water conservation districts. The NC Soil & Water Conservation Commission (also referenced under G.S. 139 and mentioned below as the Division of Soil and Water Conservation) does not oversee districts but it does have a direct statutory connection to districts. Both the commission and the Division of Soil and Water Conservation were transferred from DENR to the NCDA&CS on July 1, 2011.

In North Carolina there are 96 districts. Ninety-five districts have the same boundaries as their respective counties. The 96th district is the Albemarle Soil and Water Conservation District and is made up of Currituck, Camden, Pasquotank, Perquimans and Chowan counties. Financially, the Albemarle Soil and Water Conservation District members operate separately under their respective county governments.

**ASSUMPTIONS AND METHODOLOGY:**

HB 558 expands the sales tax refund to soil and water conservation districts organized under G.S. 139 and will reduce General Fund availability by \$5,000 to \$10,000 per fiscal year. To estimate the impact of HB 558, Fiscal Research relied on information from the Department of Revenue and a survey

conducted by the Division of Soil and Water Conservation (DSWC) providing financial information for 30 soil and water conservation districts.

DSWC surveyed the districts at the request of the Fiscal Research Division. Sixty-six of the 96 districts responded. Only one district responded “yes” that they sought a sales tax refund over the last 5 years; one district responded “don’t know” and the remaining 63 districts responded “no.”

According to the Department of Revenue, only one soil and water conservation district has applied for a sales tax refund over the last three years for an amount of \$1,600.<sup>1</sup> Thirty counties also responded to the DSWC survey providing FY 2011-12 and FY 2012-13 financial information.<sup>2</sup> Based on the survey information, Fiscal Research estimates that the financial impact of HB 558 could reduce General Fund Availability from \$5,000 to \$10,000.

Most of the districts operate under a local government and participate in their county’s annual financial reporting process. Some of these soil and water conservation districts receive a sales tax refund through their respective county governments.

A smaller percentage of districts operate as stand-alone entities or departments. Their budget process is similar to county government in that they too are subject to the Local Government Budget and Fiscal Control Act (LGBFCA). These soil and water conservation districts, however, because of the absence of county government oversight do not receive a sales tax refund. Representatives from the North Carolina Association of Soil and Water Conservation Districts estimate that the sales tax refund provided in HB 558 would apply to roughly 10-30 districts.

The sales tax refund for regional jails applies to those created pursuant to G.S. 153A-219. Two facilities, Albemarle District Jail (a joint project between Camden, Perquimans and Pasquotank counties) and Bertie-Martin Regional Jail (a joint project between Bertie and Martin counties), would qualify for the newly enacted sales and use tax refund should the bill become law.

The sales tax refund under G.S. 105-164.14(c)(26) for regional jails of HB 558 will reduce General Fund availability and local government revenues. The fiscal impact is unknown.

**SOURCES OF DATA:** NC Department of Agriculture and Consumer Services (NCDA&CS), NC Department Environment and Natural Resources (DENR), and North Carolina Department of Revenue.

**TECHNICAL CONSIDERATIONS:** None

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<sup>1</sup> Explanation of sales tax refund denial as provided by the North Carolina Department of Revenue: soil and water conservation districts are currently ineligible under G.S. 105-164.14(c) as a governmental entity eligible for a refund of North Carolina’s sales and use tax. A soil and water conservation district is created by Chapter 139 of the North Carolina General Statute[s]. Soil and water conservation districts are not on the list of eligible organization types to receive a sales tax refund under G.S. 105-164.14(c).

<sup>2</sup> Avery, Burke, Carteret, Cherokee, Clay, Davidson, Durham, Edgecombe, Franklin, Gates, Graham, Granville, Harnett, Haywood, Hoke, Iredell, Johnston, Lee, Mecklenburg, Mitchell, New Hanover, New River (Ashe), Pender, Polk, Robeson, Stokes, Swain, Wake, Warren, Wilkes

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**DATE:** June 11, 2014



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